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National
Home Center News ®

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Payless to launch new customer-friendly store

By Phillip M. Perry
NHCN staff editor

NEW YORK — Payless Cashways is developing a new store more customer friendly than traditional units.

The new store will serve as a model for all future Payless stores, with the exception of Somerville Lumber units. The Kansas City, Mo.-based firm expects the greater merchandise assortment of the new prototype, along with its more visible and easily accessible display of goods, to enhance revenues.

Larry Kunz, president and chief operating officer of Payless Cashways.

In remarks made before members of the New York Society of Security Analysts on March 6, officers of Payless

(Continued on page 94)

Dealers at show fear rising prices and inflation in '87

By an NHCN staff editor

CHICAGO — Prices are on the rise. Inflation is peeking over the horizon.

Those were the concerns of retailers at the 12th Annual National Home Center Show here. For many, the solution lay in taking a closer look than ever before at higher margin items that might buttress stores against more price increases expected by year's end.

"For the first time in a long time, prices are going up," said Harold Cohen, chairman, Somerville Lumber, Somerville, Mass. He estimated increases came to about 3% across the board.

> "We haven't run into price increases yet, but I expect we will see them the second half of the year."
> —**Frank Denny,** *president, Builders Square*

Duane Clark, merchandise coordinator at Westlake Hardware, Lenexa, Kan., reported prices of imports were rising, as much as 4% so far this year and expressed some concern that the trend would continue.

Ace Hardware, the $1.06 billion co-op based in Oak Brook, Ill., has seen prices starting to rise this year and expects the trend to continue. It estimated that, for its own merchandise, the inflation factor would come to 1.75% to 2% this year, up from the 0.9% of last year.

"Our projection is based on figures from the government, including the rise in interest rates," said Bill Loftus, vp-sales, for Ace.

In some highly competitive markets, Pittsburgh and Chicago among them, dealers said they had not yet experienced

(Continued on page 93)

Pay 'N Pak intros customer lounge, furniture

By an NHCN staff editor

INDIO, Calif.— Pay 'N Pak, the 107-store Western chain, is bringing "creature comfort" to DIY shopping.

In its newly opened Home Improvement Warehouse Outlet here, shoppers may relax in a "Customer Lounge."

The lounge contains two benches and a water cooler and is located at the end of the store's main center aisle.

Using valuable selling space to give shoppers a place to sit down is unusual in DIY retailing, but Pay 'N Pak apparently wanted to project a strong "user-friendly" environment in its latest warehouse-format store and perhaps appeal to an upscale customer.

Pay 'N Pak has included a Customer Lounge and a spacious display of furniture, showcased in room suites illuminated by high-tech lighting, in its new Indio, Calif., warehouse. NHCN photo

This store, which opened in late January, is a retrofit of an ex-Zodys discount outlet on Highway 111 east of Palm Springs. It represents the Kent, Wash.-based chain's first foray in southern California.

Company officials indicated that they are happy with the store's merchandising innovations.

"It is a jewel in the chain," vp-marketing Richard E. Friel said. "The store is reflective of a lot of things we're doing [chainwide]," he added.

Friel was reluctant to go beyond this, though. "It is a key

(Continued on page 93)

Lowe's plans revamp of 100 smaller units

By an NHCN staff editor

NEW YORK — Lowe's said it was launching a program to give a facelift to 100 of its smaller home centers during the first quarter of this year.

Dubbed "Pre-Phoenix," the program was unveiled during a presentation to security analysts here March 6. It is intended to clean up the stores, fill in shelf space, and brighten displays at some of the firm's

(Continued on page 93)

Industry vets target San Diego for specialty paint chain

By Brad Altman
NHCN staff editor

SAN DIEGO — Several DIY industry veterans are mapping out plans to launch a chain of 35,000-sq.-ft. upscale specialty paint and home decorating stores catering to both DIYers and professionals in the San Diego market.

The stores will be called The Paint Factory and the first two units are scheduled to open this summer, according to president Stephen E. Capasso, who most recently was a merchandiser for The Home Depot out of the chain's Fullerton, Calif., offices.

Financing the new venture was obtained through a private placement that will provide capital for initial expansion, with five units to be opened by year-end, Capasso said. The startup costs were not available.

Aims at DIYers, decorators

Capasso described The Paint Factory's target customers as "DIY paint and decorating consumers, professional decorators, paint contractors and tradesmen.

"The DIY product focus will be on fashion merchandise and upscale designer products, while the professional area will be directed toward the special needs of the contractor," Capasso added.

Joining Capasso on the management team of The Paint Factory is Martin R. Bocola, executive vp-operations, formerly vp-operations for Evans Products' Northwest Division retail group based in San Carlos, Calif.

Both Capasso and Bocola previously worked together in executive positions at Builders Emporium, Irvine, Calif.

The third DIY industry veteran at The Paint Factory is George Rotsheck, director of pro sales, formerly gm of San Diego Glass & Paint.

(Continued on page 94)

INSIDE

National Home Center Industry Advertising and Marketing Awards
Golden Hammer awards for the best 1986 TV ad campaigns by a chain with sales over $100 million and a supplier were handed out in Chicago last month to, respectively, Knox Lumber and North American Philips Lighting.

NEWSBREAKS

LANOGA PRESIDENT RESIGNS: Theodore T. Tanase resigned as president and ceo of the Seattle company in late February. Lanoga chairman Gary McLeod was named acting ceo.
FORMER ACE CHAIRMAN DIES: Arthur H. Krausman, Ace Hardware's president from 1974 to 1981 and chairman from 1976 to 1983, died March 8 of a heart attack. He was 72.
RICKEL PARENT SEEKS WHITE KNIGHT: Supermarkets General is searching for a friendly buyer to deflect an unsolicited $1.62 billion buyout bid from Dart Group.

INDUSTRY UPDATE

Perma-Bilt closes new deal

TORRANCE, Calif. — Perma-Bilt, the maker of vanities, medicine cabinets and furniture here, closed a deal to purchase Commodore Vanities on March 6.

The purchase includes the acquisition of Beauty Craft, a maker of vanities and marble tops in Oklahoma City. The merger creates a $100 million sales entity.

Although the purchase price was undisclosed, Commodore indicated the amount was under $10 million.

Larry Pallitz stepped down as Commodore's president. His position will be assumed by Ron Simon, Perma-Bilt's president. Pallitz will stay in the industry as a consultant.

The combination expands the product range of the remaining firm. "Commodore's product line is more oriented to the promotional or low-end side of the market," said Frank Xavier, Perma-Bilt's senior vp-sales/marketing.

Austram, an Australian financial holding company owning about 50% of Perma-Bilt, helped finance the deal.

Handy Andy acquires Forest City

CHICAGO — Handy Andy Home Improvement Centers was slated to close its acquisition of the 18-unit Forest City on March 13. The Gurnee, Ill., chain won't pick up Forest City's two Ohio distribution centers, according to Hank Kirschner, senior vp-marketing. Paul Siegel, vp-merchandising at Forest City, left the company March 13 after five years.

Kirschner said Handy Andy would consolidate most of the Forest City buying functions at its new buying office in Schaumburg, Ill. Ads for Forest City in Detroit, Cleveland and Akron, Ohio, are now referring to Handy Andy's Forest City.

HomeClub opens two units

FULLERTON, Calif. — HomeClub, the 28-unit membership warehouse chain based here, was slated to open 100,000-sq.-ft. units in Lynnwood, Wash., and Stockton, Calif., on March 5.

These are the first new stores to open since last August, when the Zayre-owned division debuted its first Washington state unit, in the Seattle suburb of Kent.

President Herbert Zarkin said HomeClub plans to open eight additional units in 1987, of which six will be in California and two in the Denver market, raising its year-end store count to 38.

Former Grace ceo joins new firm

PHOENIX — Sean Lee, the former ceo of Grace Home Centers West, has joined the private company based in New York which agreed on Feb. 18 to pay $50 million for Lucky Stores' Phoenix-based Yellow Front general merchandise chain.

Glitches cause loss at Frank's

STAMFORD — Due to the discovery of problems in its computerized accounts payable system, Frank's Nurseries and Crafts will report a "substantial operating loss" for 1986, according to its parent, General Host.

"It now appears Frank's has experienced deterioration in merchandise profit margins, in addition to the previously disclosed cost increases related to Frank's ambitious store expansion program," said the company.

E. Kent Kinard has stepped down as president of Frank's.

General Host has named Robert Ench, founder and president of its Flower Time unit, as Frank's chairman.

Stocks win another round

NEW YORK — For home center industry stocks, the two weeks ending March 6 represented yet another winning round in the trading pits.

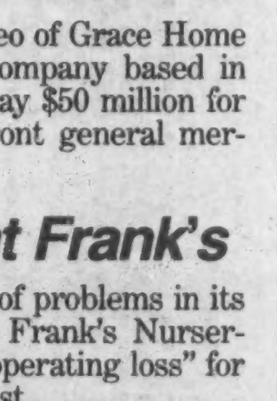
Of 58 stocks tracked by *NHCN*, 33 increased in value, three remained unchanged and 22 declined.

No. 1 on the home center hit parade was National Hardgoods Distributors, which gained 18.8% to $9.50. Stanline increased 9.1% to $12. Lowe's increased 5.8% to $32.13.

Grossman's increased 4.8% to $11.

Wickes declined 3.1% to $3.88.

(See financial tables pg. 92.)



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Grossman's earns $2.9M in '86; hits $1B sales mark for first time

By an NHCN staff editor

BRAINTREE, Mass. — Grossman's Inc. earned $2,925,000 from its continuing operations, or 15 cents per share, in fiscal 1986 on sales of $1,006,664,000, the first time the company has hit the billion-dollar volume mark.

This income figure from the businesses the company is continuing to grow compares favorably to the loss of $3,420,000 incurred in 1985 on sales of $875,586,000, which were off 6.8%.

Grossman's last month released up-to-date annual sales and earnings numbers essentially for the first time in two years. And these figures represent its first public financial accounting since emerging from Evans Products' Chapter 11 proceedings last November. The newly formed Grossman's was scheduled to release its 10-K filing with the Securities and Exchange Commission within the month.

The numbers released by the company include sales and earnings from its Grossman's, Moore's, Hubbard & Johnson, Bargain Outlet Grossman's Warehouse units. Figures from its Lindsley operation have been factored out of the company's financial reporting for the past three years.

GROSSMAN'S AT A GLANCE

All figures show dollars in millions except store count and EPS

Sales

	Income from continuing oper.	Earnings (¢) per share	Store count
'84	38.9	NA	306
'85	(3.3)	(.17)	276
'86	2.92	.15	272

Source: Grossman's

NOTE: Nos. exclude sales and earnings from Lindsley stores

For the quarter ended December 31, 1986, Grossman's lost $1,791,000, or 9 cents a share, from continuing operations on sales of $242,909,000, which were up 7.6%. This compares to continuing operations income for the same quarter in 1985 of $2.3 million.

According to senior vp-administration Stanley Berman the recent quarterly earnings loss was primarily attributable to Grossman's paying $2.5 million of the $2.9 million it owed in income tax for the year in the last quarter of 1986.

"We simply underestimated the kinds of sales and earnings we were going to have when we projected that quarter," he

(Continued on page 93)

Depot tests store 'project' cards in Fla.

By Suzanne Floyd
NHCN staff editor

ATLANTA — The Home Depot is testing a credit card in seven Florida stores.

Ron Brill, chief financial officer for the 50-unit chain here, told *NHCN* that the test of its "Project Card" began in December in Orlando, Tampa and St. Petersburg, Fla. He expects a decision will be made in April as to whether the card will be expanded chainwide.

Brill declined comment on the number of applications Home Depot has received. But individual store managers, while not able to provide actual tallies, said that the card is being met with enthusiasm by their customers.

The Project Card is free to Home Depot customers with no minimum purchase requirement. As a promotion for the card, Home Depot is offering customers a 10% discount on their first transaction with the Project Card.

As a result, the average ticket for a card transaction is $100 for one of the test stores, according to its manager, who added that this figure will probably go down after the card has been in use awhile.

Brill explained that the card was being tested in Florida because "Home Depot has a good market share there and Florida is a representative area."

The Project Card is being handled by branches of the Southeast Bank of Miami, one manager confirmed. Finance charges, assessed monthly, are at an annual rate of 18%.

An Orlando store manager said that the card was receiving an "excellent response" in his store. "Other managers I've spoken with feel just as positive," he added.

Aimed at builders

He indicated that the card is good for "the small repairman as well as remodelers and contractors."

Another manager agreed that "the card would be beneficial to the motel or apartment building owner."

(Continued on page 94)

Hechinger to add decorator services

By Wyatt Kash
NHCN Editor

LANDOVER, Md. — Hechinger is rolling out a new interior decorating service department in all of its future stores, as part of broader refinements being made in its merchandising presentation.

With 12 to 14 new stores slated to open this fiscal year, the new service department could become a significant part of the chain's approach to home decorating retailing within a short period of time.

The 61-unit home center chain currently has four new stores, typically 70,000 sq. ft., now featuring the new service department: in Fredericksburg, Va., Fayetteville, N.C., Greenville, S.C., and Southdale, Md.

The four stores also showcase two other significant design revisions for Hechinger:

- A new store color scheme, combining "high-tech" grey and "Chinese" red. The grey is embodied in the fixtures and display shelves; the bright red accents the store in the form of hanging banners and department signing. Even the Hechinger logo emblazed outside on the store front and employee name badges are now embossed in red, in contrast to the traditional "Hechinger blue";
- An upscaled housewares department. The department now features higher-end "cookery" among other goods, and a new presentation using island platforms of "high-tech" metal grids, highlighted by hanging wide-brim red lamps.

Among all these changes, though, the new interior decorating department represents

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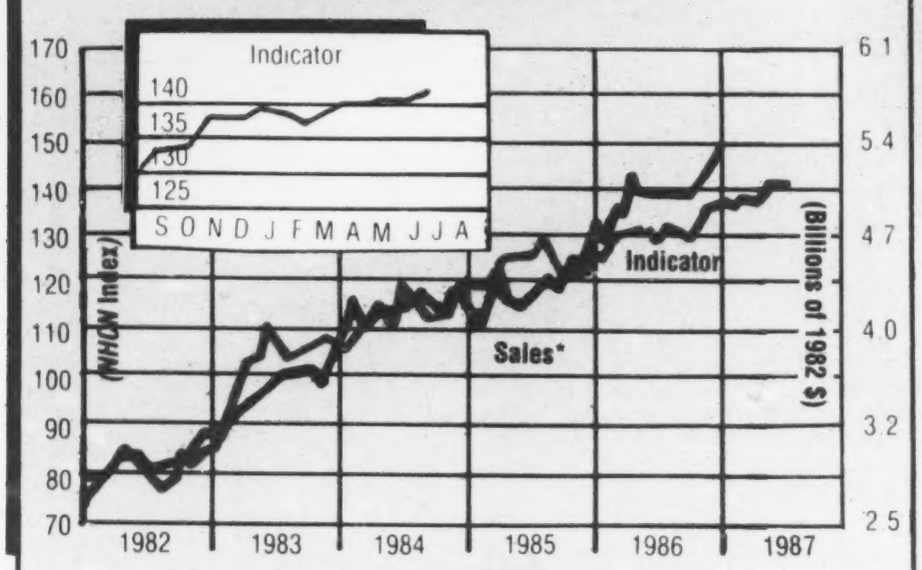


*—Monthly retail trade building materials, hardware and supplies in (1982 $).
Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting an increase in building material sales during 1987. Resales were strong from September to December of 1986, although they fell in January. Single-family housing starts will remain near 1.2 million units as interest rates decline.

New England sales expected to increase ten percent in '87

By Richard E. Mount
Special to NHCN

Building material sales in New England will increase 10% in 1987, almost 5.5% in unit volume. This will be slightly less than the 11% dollar gain expected for the nation. Nineteen eighty-seven will mark a year of transition for sales in New England as growth will be far below the 27% unit surge in 1986 when the region was the fastest-growing market in the nation.

New England is slowing from the rapid growth it experienced in the early stages of the recovery. Employment gains in late 1986 were running 2% ahead of the prior year's pace. In 1985 it was closer to 3% and, in 1984, 5%.

Richard E. Mount

While New England will not face an economic decline in 1987, employment gains are likely to be only 1% and will pressure incomes, housing demand and building material sales.

Connecticut has the highest defense spending per capita in the nation. Spending will slow in 1987 from Gramm-Rudman restrictions.

Maine employment will improve marginally. The fall in the dollar will increase lumber and paper production.

Massachusetts and New Hampshire are pressured by weakness in high-tech. While this sector will turn around in 1987, shortages of

(Continued on page 32)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Home Center Industry Regional Outlook

		1985 QIV	1986 QI	1986 QII	1986 QIII	1986 QIV	1987 QI	1987 QII	1987 QIII	1985	1986	1987
***NHCN* Leading Sales Indicator** (February 1980 = 100)		123.4	124.7	127.9	132.1	137.1	138.6	140.2	143.4	118.5	130.3	141.0
Building Material Retail Sales												
Current	**$ Millions SAAR Total United States**	56,976	61,180	62,580	62,956	63,444	65,641	67,753	70,172	53,841	62,540	69,259
	New England	3,477	3,492	3,854	4,210	3,908	4,030	4,147	4,288	3,038	3,866	4,237
	Middle Atlantic	8,306	8,324	8,926	9,261	8,781	9,058	9,330	9,635	7,269	8,823	9,522
	East North Central	9,048	8,096	9,699	10,014	10,132	10,535	10,908	11,326	8,381	9,485	11,162
	West North Central	4,000	3,541	4,049	4,413	4,384	4,523	4,661	4,828	3,747	4,097	4,770
	South Atlantic	11,837	13,871	13,442	12,394	13,222	13,693	14,154	14,680	11,262	13,232	14,476
	East South Central	3,182	3,513	3,633	3,757	3,800	3,984	4,133	4,309	2,964	3,676	4,238
	West South Central	6,041	6,817	6,355	5,975	6,167	6,354	6,531	6,751	6,090	6,328	6,672
	Mountain	2,763	3,256	2,962	2,997	3,115	3,223	3,320	3,431	2,674	3,083	3,390
	Pacific	8,322	10,269	9,659	10,087	9,935	10,240	10,570	10,926	8,377	9,988	10,792
Constant	**Millions $1982 SAAR Total United States**	53,749	57,422	60,401	59,924	59,128	60,570	61,900	63,475	51,035	59,219	62,936
	New England	3,280	3,460	3,781	3,733	3,642	3,719	3,788	3,878	2,882	3,654	3,850
	Middle Atlantic	7,836	7,916	8,450	8,317	8,183	8,359	8,524	8,715	6,894	8,217	8,653
	East North Central	8,536	9,193	9,568	9,522	9,443	9,721	9,966	10,245	7,950	9,431	10,143
	West North Central	3,773	4,104	4,210	4,165	4,086	4,173	4,259	4,367	3,554	4,141	4,335
	South Atlantic	11,167	11,613	12,521	12,452	12,322	12,635	12,931	13,279	10,682	12,227	13,154
	East South Central	3,002	3,266	3,533	3,542	3,542	3,677	3,776	3,897	2,812	3,471	3,851
	West South Central	5,699	6,221	6,040	5,932	5,747	5,863	5,967	6,106	5,777	5,985	6,063
	Mountain	2,607	2,800	2,929	2,930	2,903	2,974	3,033	3,104	2,536	2,891	3,081
	Pacific	7,851	8,849	9,368	9,350	9,259	9,449	9,656	9,883	7,946	9,202	9,807
Per Cent of U.S. Total												
Current	**Per Cent of U.S. Total ($Current) Total United States**	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	6.10	6.03	6.26	6.23	6.16	6.14	6.12	6.11	5.65	6.17	6.12
	Middle Atlantic	14.58	13.79	13.99	13.88	13.84	13.80	13.77	13.73	13.51	13.88	13.75
	East North Central	15.88	16.01	15.84	15.89	15.97	16.05	16.10	16.14	15.58	15.93	16.12
	West North Central	7.02	7.15	6.97	6.95	6.91	6.89	6.88	6.88	6.96	6.99	6.89
	South Atlantic	20.78	20.22	20.73	20.78	20.84	20.86	20.89	20.92	20.93	20.65	20.90
	East South Central	5.58	5.69	5.85	5.91	5.99	6.07	6.10	6.14	5.51	5.86	6.12
	West South Central	10.60	10.83	10.00	9.90	9.72	9.68	9.64	9.62	11.32	10.11	9.63
	Mountain	4.85	4.88	4.85	4.89	4.91	4.91	4.90	4.89	4.97	4.88	4.89
	Pacific	14.61	15.41	15.51	15.57	15.66	15.60	15.60	15.57	15.57	15.54	15.58
Industrial Production												
Index (1977 = 100)	Brick	88.6	92.7	91.1	93.9	95.8	92.4	91.1	90.9	88.5	93.0	91.6
	Cement	99.8	121.2	108.7	105.6	108.2	107.9	106.5	105.2	105.7	111.3	106.4
	Gypsum Wallboard	132.4	132.8	133.7	132.3	134.5	134.6	134.2	133.1	126.4	133.3	133.9
	Hardware	99.4	99.8	102.1	103.5	101.7	104.5	103.9	103.2	100.9	102.5	103.8
	Lumber Products	125.7	128.0	132.8	134.1	134.2	127.5	126.7	126.1	122.9	131.4	126.7
	Paint	100.2	100.6	103.0	100.1	93.8	107.2	107.9	108.4	101.9	102.9	108.1
	Plywood	142.9	149.6	161.4	164.3	158.2	157.2	156.2	154.4	138.7	157.3	152.4

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
February 3, 1987

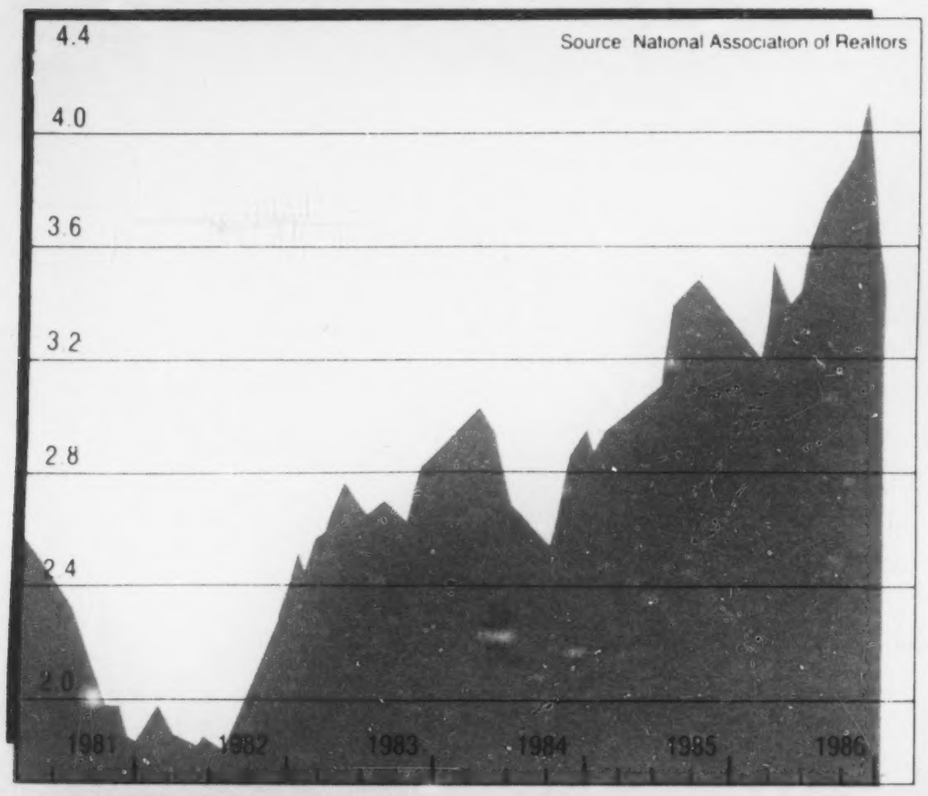
The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

HOUSING WATCH

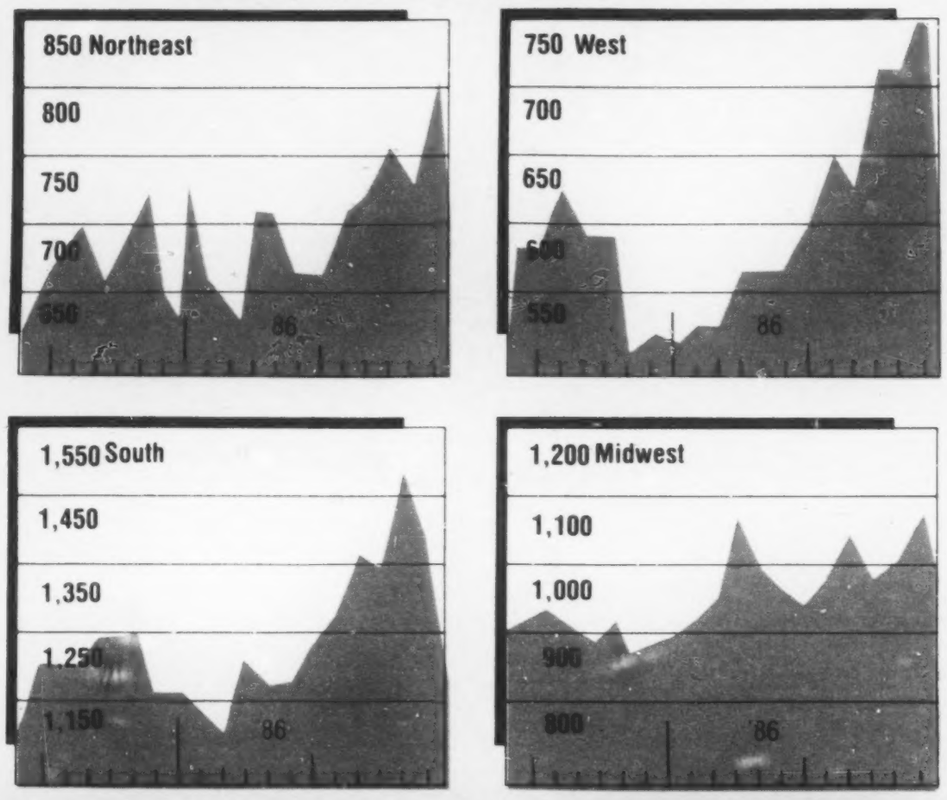
National existing single-family home sales

Seasonally adjusted annual rate (in millions of units)



Regional existing single-family home sales

Seasonally adjusted annual rate (in thousands of units)



Resale pace drops 14.5% in January

By an NHCN staff editor

NATIONAL REPORT — The resale home pace plummeted 14.5% in January to a seasonally adjusted 3.47 million units, according to the National Association of Realtors (NAR).

The monthly decline was expected since December's record-breaking pace of 4.06 million units was inflated from buyers scrambling to complete transactions under the old tax law, NAR economists explained.

Compared to those of January 1986, home resales were up 4.2%. NAR economists are predicting that 1987 will be a good year for home sales, especially since mortgage rates are still expected to remain fairly low.

In fact, resale homes should be 3.6 million units, which would top last year's 3.5 million homes.

The West bore the brunt of the January slowdown. The resale rate fell 25% from December, to an annualized 570,000 units. But activity was still 5.6% ahead of January 1986.

Median Sale Price

(in thousands of dollars)

	Jan.[p]	Dec.[r]	Nov.	Oct.
U.S.	$ 82.4	$ 80.8	$ 80.4	$ 79.4
Northeast	109.4	109.3	106.4	106.4
South	78.9	75.4	76.3	75.9
Midwest	65.6	62.7	63.5	61.1
West	100.3	103.5	102.4	101.7

[p]-preliminary [r]-revised
Source: National Association of Realtors

The Northeast recorded a 17.3% sales decline from December, to 670,000 units. It was the only region to post a drop in activity from last year, down 4.3%, a by-product of the region's severe winter weather.

Home prices here, however, continued their upward spiral, rising $100 to a median $109,400, the highest in the nation.

Nationally, the median-priced single-family resale home cost $82,400 in January, up $1,600 from December and 6.9% from a year ago.

Only the West recorded a home price decline in January, down $3,200 to $100,300.

Real estate investors turn to retail space

By an NHCN staff editor

NATIONAL REPORT — Real estate investors will turn to retail and industrial space this year instead of office buildings, according to three real estate and asset management specialists.

Both investments are expected to perform well into the future, said Blake Eagle, senior vp and director of real estate for the Frank Russell Co., Tacoma, Wash.; Mike E. Miles, foundation professor of urban development, University of North Carolina-Chapel Hill; and Kenneth Rosen, chairman of the Center for Real Estate and Urban Economics and University of California at Berkley professor.

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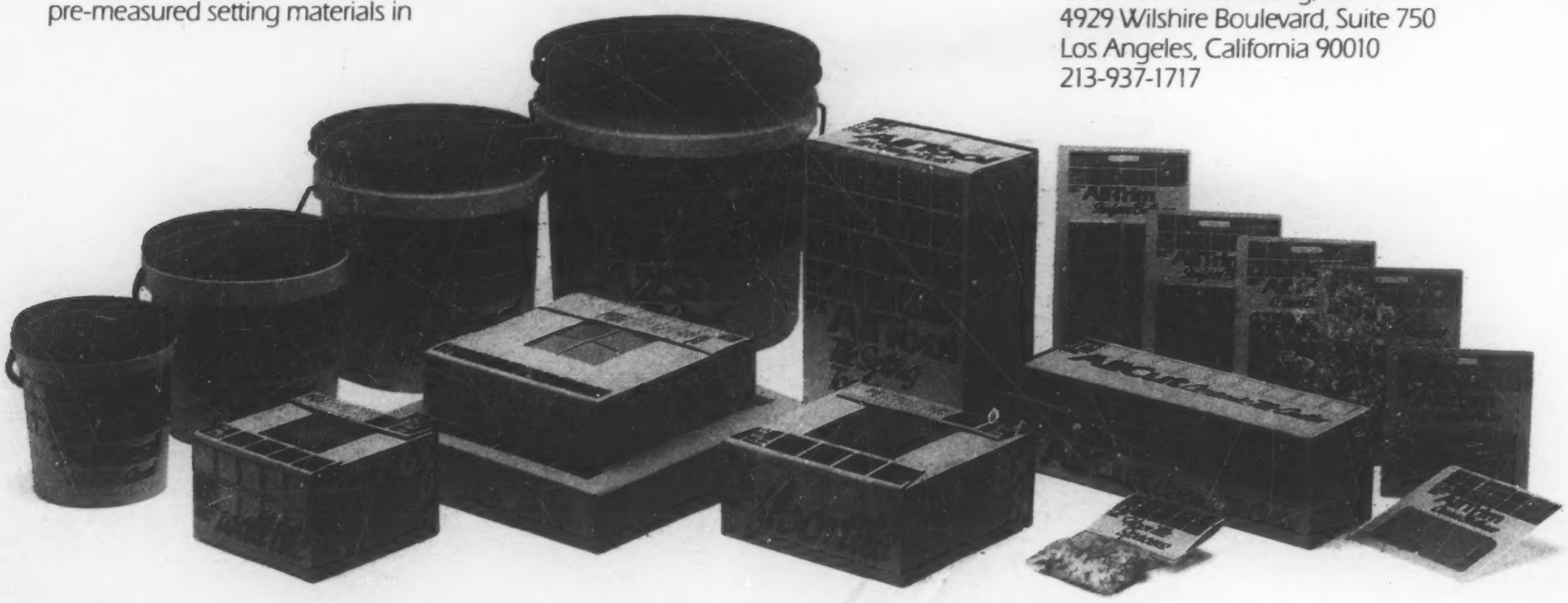

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LUMBER REPORT

Retailer/manufacturer talks yield better product, marketing

By Milford Prewitt
NHCN staff editor

NEW ORLEANS — A series of discussions between retailers and Southern pine manufacturers has purportedly yielded higher quality lumber products and a more focused identification of the Southern pine consumer.

Karl Lindberg, the new president of the Southern Forest Products Association (SFPA), said the result of contacts with large building material retailers and the association's emphasis on identifying future market opportunities have created better run mills, improved manufacturer and retailer relations and an industrywide emphasis by manufacturers for quality.

At the heart of the quality drive is a commitment to make lumber that looks better to DIY shoppers, especially those looking for treated lumber. Treated lumber, Lindberg said, offers one of the most promising areas for market growth for the industry's products. Lindberg said that between 1983 and 1984, demand for treated lumber for outdoor projects grew by 17%, even though in recent years it has grown by 5% annually.

Retailers such as Home Depot and West Building Materials, both of Atlanta, and Rickel Home Centers in South Plainfield, N.J., convinced the industry that something had to be done about the poor appearance and quality of Southern pine, Lindberg said.

From a series of sobering investigations that began in 1983 that sought to determine the future profile of Southern pine end users and conferences between retailers and producers, the SFPA launched its ambitious "Marketing Marathon," a five year effort to push Southern pine consumption by more than 1.4 billion bd. ft. by 1990. Lindberg said the downturn in the economy in the early 1980's and the housing recession stimulated the producers' resolve to explore new markets and tap retailers' insights.

Quality and the appearance of the products had to be overcome. For the treated wood segment, which makes up 35% of all Southern forest production, the wane problem emerged as the most cited physical defect of Southern yellow pine.

For decades "waning"—a defect in dimensional lumber in which corners are accidentally chipped off in the manufacturing process, leaving a lengthy unsightly scar along the face of the board—had been accepted by producers and some builders because most studs and boards were rarely seen by DIYers. With more than 72% of the Southern pine industry's production destined for residential housing, defects were hidden by wall paneling and flooring systems.

But the hunger for treated lumber and the retailers growing refusal to carry products with wane, forced the manufacturers to change their habits.

> "Thirty-five percent of all Southern pine production is treated, and a lot of that is for the DIY trade. These customers don't care what species it is, don't care how strong it is, but they certainly care about how it looks."
>
> —**Karl Lindberg,** *president, Southern Forest Products Association*

"Thirty-five percent of all Southern pine production is treated and a lot of that is for the DIY trade," Lindberg said. "These customers don't care what species it is, don't care how strong it is, but they certainly care about how it looks.

"When he gets to the store and there is a piece of material with wane half of the length of the face, he pulls that off the pile and pitches it until he finds one that looks good.

"So the bottom line became that if you are going to service the treated market, you've got to have a good looking product."

It was retailers such as George Noel, former lumber buyer of Rickel Home Centers, who drove the point in vividly for manufacturers. Lindberg recalled Noel telling members of the association in 1985 that: "If I have any problem with your product, you don't sell me anymore."

Noel, who resigned from Rickel four to five months ago, could not be located for comment.

But the pronouncement had a jarring effect on the producers and forced them to think both quality and to figure out who made up their customers.

"We had been producing studs and other items for 30 years and all of sudden the market has changed," Lindberg said. "If you were going to a wholesaler or some other means of distribution rather than direct, you didn't know who your customers were unless you started talking to them.

"All of a sudden someone tells you your customer is different out there. They don't want that wane."

The first step was a simple manufacturing innovation that reduced the frequency and size of waning by adjusting edge optimizers, devices in the mill that controlled the length of the wane.

Lindberg said the thrust to produce better-quality products became even more important during the housing recovery when some quarters argued Southern pine lacked the structural quality of white woods, the Douglas firs and hem firs, from the Pacific Northwest and Canada.

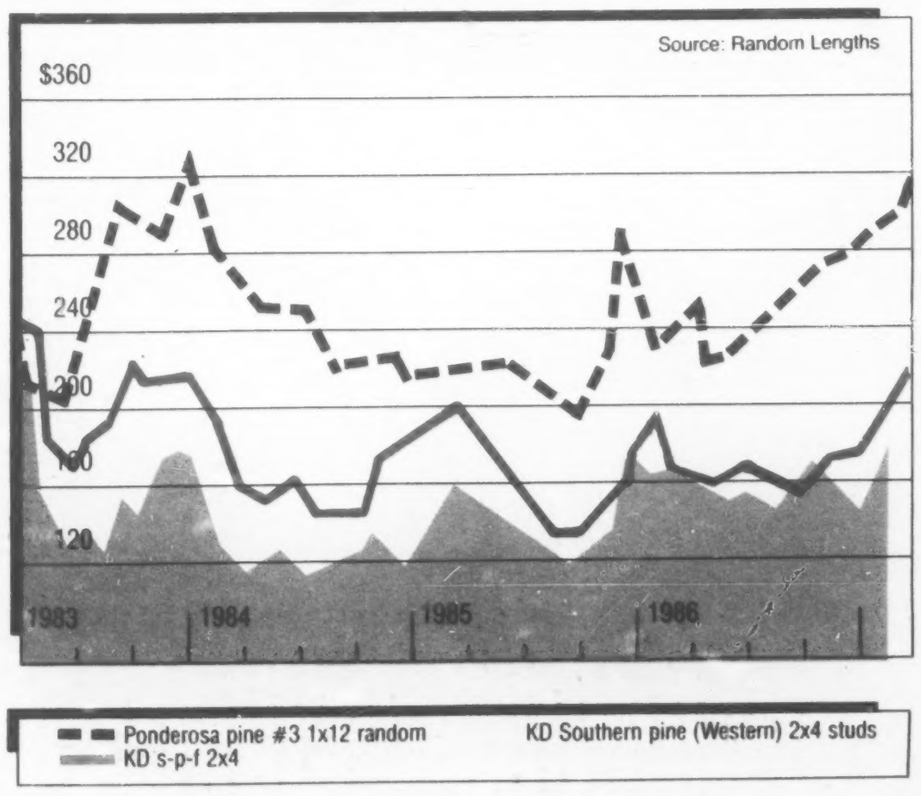
Although he acknowledged that Douglas fir's cellular composition makes it less likely to shatter and is lighter to ship, Lindberg said white woods cannot be treated, therefore Southern pine manufacturers have an exclusive hold on that market.

The push to produce higher quality, better looking treated lumber is just one of three areas the industry is studying to expand their markets, Lindberg said.

Among the other key areas are engineered truss systems for small office buildings and wood floor systems as a replacement to concrete slabs in the South.

Commodity close-up

Studs and Boards
Average mill monthly prices



Perspectives

DEALERS INVESTIGATE NEW MEDIA TO GET AD MESSAGE ACROSS

By Elizabeth Brent
NHCN staff editor

NATIONAL REPORT — Six months ago, ACO, the 55-unit hardware chain, was confronted with the first of four Builders Squares in the Detroit market, and suddenly found its same-store sales dropping.

But ACO fought back with a hard-hitting, $750,000 ad campaign that combined radio, print, TV and outdoor billboard promotions. "We used a multimedia campaign to create synergy," said Heben Noseworthy, ACO's president. "We saw a significant increase in sales and still are."

Encouraged by this success, ACO is following up this spring with a $1.5 million promotion on top of its regular ad spending, with most of the funding coming from 50 vendors.

This kind of flexibility in ad spending—where dealers go beyond the print media to boost sales—is becoming common among home centers. Dealers are particularly keen on searching for alternatives to run-of-press (ROP) advertising, which appears to be falling out of favor with some companies.

Print still dominant

No matter what media mix retailers favor, print still forms the foundation for most ad campaigns. Retailers interviewed allocated at least three-quarters of their total ad budgets to print last year, with circulars taking the lion's share.

Ernst Home & Nursery Centers in Seattle is doubling the frequency of its circulars by distributing them every two weeks. Last December, Ernst tested putting out circulars on Wednesdays and then on Saturdays in all markets; store sales shot up between 30% and 40%, according to Tim Lucia, senior vp-marketing for the 73-unit chain.

Quick reaction needed

Despite what print means to most chains' sales growth, most companies will use research to determine just how effective this medium is. And, it seems, they are finding that they need the flexibility to switch quickly to other advertising vehicles to respond to market conditions.

One east coast chain, which asked not to to be named, switches to direct mail pieces when it doesn't achieve its goal of 75% to 85% market penetration with newspaper inserts. Builders Square found that its ROP ads weren't cutting muster. So it siphoned off money from this part of its ad budget, and combined those dollars with money from vendors, to fund more than 20 direct mailers in 1987, according to Jud Walford, the San Antonio chain's executive vp.

Babcock Building Supplies, the eight-unit chain in Melbourne, Fla., changed its drop date for circular distribution to Saturdays for better penetration. Babcock now spends less than 2% of its print advertising on ROP because of the difficulties in getting the newspaper positioning it desires.

"We kept ending up in the Sports section, and [we] don't want to reach only men," said ad director Linda Hill. "We put money into our circulars, which we can control better."

Orchard Supply Hardware took more drastic steps recently to gain control over the positioning of its ads in the Fresno, Calif., market.

The San Jose, Calif.-based chain withdrew its total ROP advertising for three months, worth $50,000, and funneled these funds into radio, according to vp-marketing Joe DiRocco. It eventually got the positioning it wanted.

Expenditures vs. sales growth

In developing media flexibility, the biggest complaint dealers have is being able to justify ad dollars spent for electronic media with proof of increased sales.

This connection is sometimes so murky that a chain like Anderson Lumber discovered that its radio ads supporting its circulars weren't working only by accident.

"Sometimes the radio stations didn't get the information to run the spot, so we would skip a month of advertising," said Hudson England, vp-merchandising for the Ogden, Utah, company. "We found out [afterwards] that it didn't make much difference whether we ran radio or not."

The 25-unit chain has since cut back its allocation for radio to 5% of total ad expenditures from 10%.

Yet, in spite of the difficulties in measuring how effectively electronic advertising generates increased business, retailers continue to channel more dollars into radio and TV. They agree that these media broaden their market reach and communicate messages about service that print just can't get across to consumers.

Hancock Lumber in Casco, Me., increased its electronic ad budget by 43% for 1987 over the previous year to communicate its new message "Our people make the difference."

Lindsley Home Decorating Centers in Miami will use TV advertising to convey its new upscale image and emphasis on furniture, lawn and garden and decorative products. The 20-unit chain will jack up its dollars spent on electronic media to 30% of its total ad budget this year from 18.7% in 1986 and 10% in 1985.

And Lowe's will increase TV advertising in mid-1987 in markets like Columbia, S.C., where new store open-

New study forecasts increase in consumer ad spending

By an NHCN staff editor

NATIONAL REPORT — Home centers will increase their consumer advertising spending from 2.3% to 2.6% of total dollar sales in 1987, according to recent research conducted by *Chain Store Age Executive*, a monthly business magazine.

Six areas of retailing surveyed

The study was an examination of consumer advertising spending and media choices among chains and specialty stores for fiscal years 1985 to 1987. Its sample of 180 interviews was drawn equally from six different retailing fields, home centers; discount stores; drug stores; apparel specialty stores; supermarkets and department stores.

Department stores spent the highest chunk of their revenues on advertising in all three years, with 3.5% of its total dollar sales going for promotions.

Discount stores ranked second, spending 2.8% of sales on ads in 1986 and projected to increase that total to 2.9% in 1987.

Home centers placed fourth by spending 2.3% of sales on ads last year. If the home centers meet projections and allocate 2.6% of revenues on advertising this year, they would rank third among the retail operations tracked in the study.

Fifty-seven percent of those home centers interviewed increased actual dollars spent on advertising in 1986. These companies spent an average of 5.3% more in 1986 than in 1985 and expected to increase this by another 7.8% in 1987.

The major reasons cited for this increase in ad spending were a change in marketing strategy and the opening of new stores in existing markets.

Corporate involvement tracked

The survey also recorded the level of corporate involvement in setting ad budgets and determining media spending. The ceo/president tended to be more involved in setting the budget than in selecting the media, which was left largely to the vp/director of advertising.

Home centers were noticeable among the retailing groups for the level of involvement of the vp/director of merchandising in setting ad budgets, with 53% of those surveyed reporting that the merchandising director was very involved.

The vp/director of advertising was more involved in selecting the consumer advertising media than any other job title.

Home centers continue to spend over half of their ad budgets on newspaper and magazine advertising, in common with other retailing groups. However, ad spending in this category dipped over the three years period from 55.4% in 1985 to a projected 53.5% in 1987.

Direct mail ads rise

In 1986 the only medium to show an increase in consumer advertising dollars by home centers was direct mail, which rose from 28.6% of total ad spending in 1985 to 19.2% in 1986. This is expected to fall slightly this year to 28.7%.

Home centers spent slightly less on TV advertising in 1986 declining from 8.0% in 1985 to 7.4% in 1986. This is projected to increase to 8.6% of total ad dollars in 1987.

Home centers ranked fourth in television ad spending among all retail groups in 1986 with supermarkets ranked first, followed by department and discount stores.

Radio ad spending by home centers remained fairly steady over the three-year period. Home centers ranked third behind supermarkets and apparel stores for the proportions of ad dollars spent on radio.

Point of purchase in-store advertising is one area in which home centers spent the least amount of any retailing group, with only 1.0% of total ad dollars in 1986 going towards this.

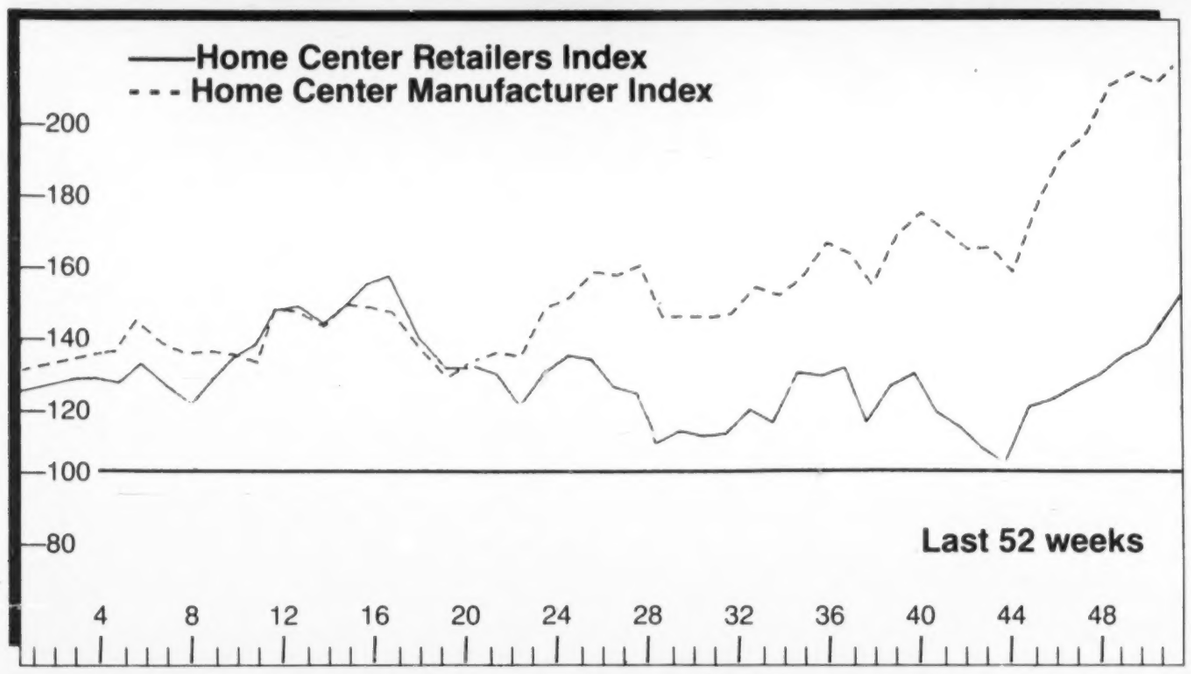
How Retailers Spend Ad Budgets

Figures show percent of ad budget allocated for that medium.

	Department Stores	Discount Stores	Home Centers
Newspapers & Magazines			
1985	55.7	49.0	55.4
1986	54.7	48.4	55.3
1987	54.6	47.3	53.5
Direct Mail			
1985	23.6	28.6	28.6
1986	23.7	29.2	29.2
1987	22.5	30.1	28.7
Television			
1985	12.6	6.8	8.0
1986	13.3	7.7	7.4
1987	13.9	8.3	8.6
Radio			
1985	5.7	8.8	7.3
1986	5.9	7.8	7.2
1987	6.7	7.5	8.3
In-Store			
1985	1.2	4.0	0.6
1986	1.2	4.0	1.0
1987	1.1	3.9	1.0

Source: Chain Store Guide

FINANCIAL NEWS

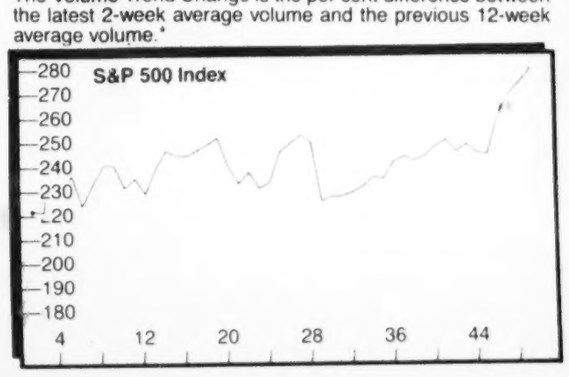


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
3-6-87	(100)	%	%
Am Consum Prods ..... M	2,662	694.8	4.4
Am Woodmark ..... M	3,796	505.5	14.2
Natl Hardgoods ..... M	855	447.2	18.8
Macmillan Bloedel ..... M	7,780	400.0	11.5
Stanley Works ..... N	18,562	312.0	10.4
Manville Cp ..... N	30,115	278.0	9.5
Waxman Ind ..... M	5,016	216.9	- 4.7
La Pacific ..... N	30,894	213.1	5.6
Newell Co ..... N	3,319	184.3	9.8
Supermkts Gen ..... N	26,251	169.2	1.8

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 3-6-87	2-Week Price Change	Total 2-Week Volume
Winners 3-6-87	$	%	(100)
Natl Hardgoods ..... M	9.50	18.8	855
Weyerhaeuser ..... N	57.00	16.3	73,575
Am Woodmark ..... M	16.13	14.2	3,796
Macmillan Bloedel ..... M	53.25	11.5	7,780
Stanley Works ..... N	33.13	10.4	18,562
Georgia-Pacifc ..... N	51.63	9.8	49,754
Newell Co ..... N	34.88	9.8	3,319
Pottatch Cp ..... N	79.25	9.7	2,340
Manville Cp ..... N	2.88	9.5	30,115
Stanline Inc ..... M	12.00	9.1	333
Losers 3-6-87	$	%	(100)
Svc Merchandise ..... M	6.25	- 15.3	29,733
Mich General ..... A	1.13	- 10.0	1,478
Moore Handley ..... M	7.50	- 6.3	501
Black & Decker ..... N	19.63	- 5.4	40,304
Hechinger B ..... M	20.00	- 4.8	379
Hechinger A ..... M	20.00	- 4.8	2,902
Waxman Ind ..... M	12.63	- 4.7	5,016
Emhart Corp ..... N	40.50	- 3.6	5,095
DeSoto Inc ..... N	40.25	- 3.6	512
Natl Lumber ..... M	6.75	- 3.6	1,232

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 3-06-87	2-Weeks Change Amt.	2-Weeks Change Pct.	2-Week Range High	2-Week Range Low	52-Week Range High	52-Week Range Low	Volume: 2-Weeks Shares Traded Total	2-Weeks Shares Traded % Out	12-Week Avg. Vol. As % Out	Volume Trend Change	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Financial Update: Latest Report New Report	Latest Report Period	Latest Report Date Ended	Latest Quarter: Revenue Amt.	Revenue Chg.	Net Income Amt.	Net Income Chg.	E.P.S. Amt.	E.P.S. Chg.	Year-to-Date: Revenue Amt.	Revenue Chg.	Net Income Amt.	Net Income Chg.	E.P.S. Amt.	E.P.S. Chg.
3-6-87	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Color Tile ..... M	30.00	.00	.0	30.00	30.00	33.00	21.00	2	.00	.09	-100.0	19.0	.00	.0	.....	fiscal	06-86	107.0	9.4	4.9	22.5	.52	18.2	387.1	11.5	14.9	12.0	1.58	9.0
Forest City Ent ..... A	39.00	.75	2.0	39.00	38.38	39.38	23.75	26	.03	.10	- 70.0	24.4	.30	.8	.....	9 mos.	10-86	62.4	- 14.3	4.0	NC	.50	NC	193.7	- 3.2	10.6	194.4	1.33	195.6
Grace W R ..... N	56.63	1.88	3.4	57.75	53.63	60.75	45.25	19,427	4.68	2.75	70.2	19.3	2.80	4.9	.....	9 mos.	09-86	1321.2	- 24.9	4.4	- 82.6	.10	- 75.6	3982.2	- 24.1	87.7	- 14.2	2.08	6.1
Grossman's Inc ..... M	11.00	.50	4.8	11.00	10.38	11.00	6.75	3,556	1.78	.95	87.4	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger A ..... M	20.00	- 1.00	- 4.8	21.00	19.75	23.59	16.00	2,902	2.65	2.83	- 6.4	NA	.16	.8	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	20.00	- 1.00	- 4.8	21.00	20.00	23.59	16.25	379	.23	.49	- 53.1	23.3	.06	.3	.....	9 mos.	10-86	149.1	26.0	6.3	14.5	.21	16.7	448.1	23.7	19.6	18.8	.64	14.3
Home Depot ..... N	25.13	.88	3.6	25.75	22.63	25.75	14.25	13,353	5.30	2.74	93.4	34.0	.00	.0	.....	9 mos.	10-86	251.5	41.5	3.9	225.0	.15	275.0	737.6	48.4	16.2	189.3	.63	186.4
INTERCO Inc ..... N	43.00	- .25	- .6	43.38	41.75	47.63	36.63	7,862	2.76	2.29	20.5	13.8	1.60	3.7	.....	9 mos.	11-86	757.3	9.0	29.8	10.4	.94	9.3	1962.2	1.8	67.6	10.1	2.14	9.7
K mart Cp ..... N	59.00	.00	.0	60.00	56.25	60.00	38.38	59,924	4.64	2.25	106.2	25.3	1.48	2.5	.....	9 mos.	10-86	5686.3	8.9	87.3	12.8	.66	10.0	16877.7	7.7	297.3	41.1	2.24	36.6
Lowe's Cos ..... N	32.13	1.75	5.8	32.50	29.63	41.50	22.50	12,516	3.16	1.73	82.7	21.9	.40	1.2	.....	9 mos.	10-86	594.3	8.2	12.5	- 19.9	.31	- 26.2	1786.1	11.8	45.1	- 6.8	1.16	- 12.8
Mich General ..... A	1.13	- .13	- 10.0	1.38	1.00	5.00	1.00	1,478	.83	.74	12.2	NE	.00	.0	.....	9 mos.	09-86	78.9	- 38.5	(2.9)	NE	(.36)	NE	290.1	- 13.5	(11.4)	NE	(1.11)	NE
Natl Hardgoods ..... M	9.50	1.50	18.8	10.00	9.13	10.00	5.69	855	6.95	1.27	447.2	22.6	.00a	.0	.....	9 mos.	10-86	8.4	12.0	.1	.0	.07	- 12.5	25.8	5.3	.5	25.0	.35	20.7
Natl Lumber ..... M	6.75	- .25	- 3.6	7.50	6.75	7.50	4.00	1,232	2.19	.94	133.0	NE	.00	.0	.....	*	10-86	NC	NC	NC	NC	NC	NC	111.1	NC	(.5)	NC	(.08)	NC
Pay N Pak ..... N	13.00	- .25	- 1.9	13.63	12.50	19.38	9.50	2,609	2.61	2.00	30.5	19.7	.40	3.1	.....	9 mos.	11-86	101.4	17.9	1.9	5.6	.19	5.6	315.2	21.6	5.3	- 23.2	.53	- 23.2
Payless Cash ..... N	24.75	1.00	4.2	25.13	23.00	27.50	15.88	14,529	4.19	1.72	143.6	20.3	.16	.6	NEW	fiscal	11-86	403.5	6.6	11.0	- .9	.31	- 3.1	1525.6	9.9	42.4	11.3	1.22	8.9
Scotty's Inc ..... N	15.13	- .25	- 1.6	15.38	14.75	18.13	12.00	1,838	1.27	.81	56.8	18.7	.52	3.4	.....	6 mos.	12-86	125.6	4.1	2.4	- 14.3	.16	- 15.8	244.3	5.8	4.0	- 28.6	.27	- 30.8
Sears, Roebuck ..... N	52.38	- 1.13	- 2.1	53.63	50.50	53.75	39.00	107,445	2.88	1.32	118.2	14.5	2.00	3.8	.....	fiscal	12-86	12969.7	7.5	543.0	- 1.7	1.45	- 3.3	44281.5	8.8	1351.3	3.7	3.62	2.5
Svc Merchandise ..... M	6.25	- 1.13	- 15.3	7.38	5.88	15.00	6.25	29,733	8.92	5.11	74.6	NE	.08	1.3	NEW	fiscal	12-86	1114.1	.8	21.9	- 24.7	.66	- 24.1	2527.3	.0	(46.9)	- 100.0	(1.41)	- 100.0
Std Brd Pnt ..... N	23.25	- .50	- 2.1	23.88	22.75	27.00	19.38	2,533	2.24	1.89	18.5	18.9	.58	2.5	.....	9 mos.	10-86	85.9	- 4.6	4.2	5.0	.38	8.6	252.9	- 5.1	12.3	- 13.4	1.09	- 13.5
Supermkts Gen ..... N	34.88	.63	1.8	35.75	33.75	36.50	22.50	26,251	6.81	2.53	169.2	20.5	.28	.8	.....	9 mos.	10-86	1374.7	8.8	9.6	- 60.3	.24	- 29.4	4073.4	8.2	41.8	- .7	1.10	- 6.8
Wickes Cos ..... A	3.88	- .13	- 3.1	4.13	3.75	7.00	3.25	43,350	1.83	1.53	19.6	10.5	.00	.0	.....	9 mos.	10-86	1254.8	- 14.5	33.0	114.3	.15	200.0	3361.7	11.6	69.5	252.8	.30	650.0
Wolohan Lumber ..... M	11.50	.00	.0	12.00	11.50	11.88	7.50	1,686	2.88	1.69	70.4	12.8	.20	1.7	.....	fiscal	12-86	52.5	40.4	1.7	30.8	.29	31.8	194.4	29.0	5.3	51.4	.90	50.0
Zayre Corp ..... N	30.75	.38	1.2	31.25	28.25	43.88	20.75	33,000	5.59	2.49	124.5	21.4	.32	1.0	.....	9 mos.	10-86	1316.4	30.5	22.9	- 15.2	.39	- 15.2	3573.6	32.6	48.6	- 16.5	.82	- 18.0
Wholesalers																													
Moore Handley ..... M	7.50	- .50	- 6.3	8.50	7.50	19.25	6.75	501	2.00	1.37	46.0	14.7	.00	.0	NEW	fiscal	12-86	20.7	19.7	.2	.0	.07	- 36.4	85.1	23.0	1.2	71.4	.51	13.3
Lewis Palmer ..... M	8.75	.38	4.5	8.88	8.13	9.88	7.25	1,539	3.92	1.71	129.2	27.3	.28	3.2	.....	9 mos.	10-86	60.0	50.4	.7	16.7	.17	6.3	140.4	27.2	1.2	50.0	.31	40.9
Stanline Inc ..... M	12.00	1.00	9.1	12.25	9.75	12.13	7.84	333	1.96	.87	125.3	13.0	.32b	2.7	.....	fiscal	10-86	15.9	14.4	.4	.0	.31	40.9	59.7	7.8	1.5	15.4	.92	3.4
Manufacturers																													
Allegheny Int ..... N	15.38	.38	2.5	15.50	14.00	25.25	11.38	2,871	2.67	2.16	23.6	NE	.00	.0	.....	9 mos.	09-86	438.0	- 14.1	(9.7)	NE	(1.60)	NE	1350.9	- 10.7	.6	NE	(2.04)	NE
Am Consum Prods ..... M	8.88	.38	4.4	8.88	8.50	9.88	8.50	2,662	13.83	1.74	694.8	16.4	.00	.0	NEW	fiscal	12-86	9.2	13.6	.2	100.0	(.01)	- 100.0	35.0	12.9	.7	133.3	.54	68.8
Am Standard ..... N	48.50	- 1.25	- 2.5	50.00	47.38	50.00	36.00	9,142	2.75	1.30	111.5	9.2	1.60	3.3	.....	fiscal	12-86	769.7	- .6	33.0	- 9.1	1.00	8.7	2997.7	2.9	193.2	58.2	5.28	70.3
Am Woodmark ..... M	16.13	2.00	14.2	16.38	14.13	16.13	10.00	3,796	5.51	.91	505.5	15.8	.00	.0	NEW	9 mos.	01-87	26.2	7.4	1.2	9.1	.16	- 30.4	86.5	18.5	5.3	60.6	.79	17.9
Armstrng Wrld ..... N	39.88	- .38	- .9	40.75	38.50	41.88	24.88	7,975	1.66	1.31	26.7	15.7	.84	2.1	.....	fiscal	12-86	496.4	16.5	30.1	33.2	.63	34.0	1920.3	14.4	122.4	21.3	2.54	21.0
Black & Decker ..... N	19.63	- 1.13	- 5.4	22.00	19.38	25.25	14.50	40,304	6.94	3.05	127.5	42.7	.40	2.0	.....	3 mos.	12-86	529.0	1.4	22.4	7.2	.38	- 7.3	529.0	1.4	22.4	7.2	.38	- 7.3
Boise Cascade ..... N	81.50	5.88	7.8	82.00	74.50	82.00	51.50	17,871	6.13	2.72	125.4	24.5	1.90	2.3	.....	fiscal	12-86	969.3	8.6	31.9	67.9	1.04	70.5	3790.5	1.4	101.5	- 2.7	3.32	- 3.8
Certain-teed ..... N	37.25	- .75	- 2.0	38.00	36.75	38.88	24.63	1,176	.62	.59	5.1	12.3	.90	2.4	.....	fiscal	12-86	268.6	2.6	10.7	2.9	.57	3.6	1114.2	.4	57.3	7.3	3.02	10.6
Champ Intl ..... N	39.63	1.75	4.6	40.38	35.25	40.38	22.50	54,855	5.83	2.59	125.1	19.1	.64	1.6	.....	fiscal	12-86	1058.0	- 11.4	64.5	69.3	.69	86.5	4387.6	- 24.0	200.8	23.1	2.08	30.8
DeSoto Inc ..... N	40.25	- 1.50	- 3.6	41.50	39.50	43.75	34.25	512	1.07	.68	57.4	49.1	1.40	3.5	.....	fiscal	12-86	77.8	3.0	.4	- 86.2	.09	- 85.0	413.8	2.0	3.9	- 72.5	.82	- 72.4
Emhart Corp ..... N	40.50	- 1.50	- 3.6	43.25	40.13	43.25	30.75	5,095	1.64	1.05	56.2	NE	1.40	3.5	NEW	fiscal	12-86	583.9	20.4	23.4	16.4	.66	- 9.6	2094.0	17.9	(10.0)	- 100.0	(.32)	- 100.0
Genova ..... M	5.19	.06	1.2	5.25	5.13	5.63	4.38	154	.40	.22	81.8	10.4	.10	1.9	NEW	3 mos.	12-86	11.5	19.8	.2	NE	.04	NE	11.5	19.8	.2	NE	.04	NE
Georgia-Pacifc ..... N	51.63	4.63	9.8	52.50	46.50	52.50	28.00	49,754	4.79	2.12	125.9	19.2	1.00	1.9	.....	fiscal	12-86	1781.0	12.0	83.0	2666.7	.75	NE	7223.0	7.5	296.0	67.2	2.69	74.7
Insilco Corp ..... N	25.75	1.50	6.2	26.25	23.88	26.25	17.38	5,913	2.85	2.00	42.5	16.3	1.00b	3.9	.....	fiscal	12-86	172.2	- 1.4	8.0	122.2	.44	175.0	745.1	- 8.2	33.3	27.6	1.58	21.5
La Pacific ..... N	38.00	2.00	5.6	38.25	34.00	38.88	22.09	30,894	8.14	2.60	213.1	22.1	.80b	2.1	.....	fiscal	12-86	382.2	22.3	16.8	147.1	.45	150.0	1506.2	19.5	64.9	154.5	1.72	152.9
Macmillan Bloedel ..... M	53.25	5.50	11.5	53.63	46.00	53.25	19.75	7,780	2.50	.50	400.0	NA	1.25	NA	.....	fiscal	12-86	542.2	- 9.9	23.3	14.2	.48	9.1	2511.7	7.5	133.3	210.7	3.21	494.4
Manville Cp ..... N	2.88	.25	9.5	3.50	2.13	8.88	1.63	30,115	12.55	3.32	278.0	1.2	.00	.0	.....	fiscal	12-86	463.1	- 2.4	17.3	- 17.2	.46	- 24.6	1920.3	2.1	81.2	NE	2.34	NE
Masco Corp ..... N	37.63	2.13	6.0	38.00	34.88	38.00	23.50	20,278	1.57	.97	61.9	20.2	.36	1.0	.....	9 mos.	09-86	367.0	NC	51.3	NE	.40	NE	1002.0	123.1	148.0	537.9	1.15	101.8
Mor-Flo Inds ..... M	14.00	.25	1.8	14.00	13.75	19.25	12.00	81	.32	.23	39.1	15.6	.01	.1	.....	9 mos.	09-86	47.2	.4	.3	.0	.10	- 9.1	147.9	- 3.3	1.8	- 51.4	.70	- 51.7
Newell Co ..... N	34.88	3.13	9.8	36.75	31.75	36.75	24.00	3,319	2.90	1.02	184.3	16.1	.84	2.4	.....	fiscal	12-86	105.5	9.2	7.4	34.5	.63	3.3	401.4	14.7	24.0	27.0	2.17	3.8
Owens Corn ..... N	27.13	- .13	- .5	27.75	24.88	28.63	8.88	29,444	7.86	7.26	8.3	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	17.00	- .13	- .7	17.38	16.25	17.38	10.00	2,616	3.26	2.10	55.2	18.5	.12	.7	NEW	fiscal	12-86	57.5	32.2	2.1	90.9	.20	33.3	226.4	36.0	8.1	92.9	.92	39.4
Pope & Talbot ..... N	40.13	1.25	3.2	41.88	38.88	41.88	17.75	2,459	4.10	3.77	8.8	15.3	.88	2.2	.....	fiscal	12-86	60.8	- 18.8	8.4	1300.0	1.40	1300.0	289.1	- 11.1	15.8	135.8	2.63	136.9
Potlatch Cp ..... N	79.25	7.00	9.7	79.25	70.75	79.25	40.88	2,340	1.76	1.24	41.9	15.9	1.68	2.1	.....	fiscal	12-86	243.3	7.0	20.2	359.1	1.45	457.7	976.4	2.7	70.0	85.7	4.98	127.4
Sherwin-Wms ..... N	34.00	- .38	- 1.1	34.38	31.75	35.13	22.75	10,266	2.28	1.24	83.9	14.7	.56	1.6	.....	fiscal	12-86	350.5	- 32.3	36.3	221.2	.81	237.5	1552.9	- 29.2	106.0	42.1	2.31	42.6
SW Forest Ind ..... N	31.75	.38	1.2	31.75	31.25	31.75	11.88	8,591	7.00	8.63	- 18.9	NM	.00	.0	.....	fiscal	12-86	169.9	.4	15.1	NE	1.06	NE	631.5	- 9.8	7.2	NE	.17	NE
Stanley Works ..... N	33.13	3.13	10.4	33.25	28.38	33.50	23.19	18,562	4.45	1.08	312.0	17.8	.76	2.3	.....	fiscal	12-86	256.2	- 20.5	23.5	- 8.6	.54	- 12.9	1371.3	13.5	78.8	.6	1.86	- 2.1
Thos Inds ..... N	20.88	.25	1.2	21.38	20.50	24.31	15.50	1,131	1.14	.73	56.2	16.2	.68b	3.3	.....	fiscal	12-86	75.6	- 2.6	3.2	- 23.8	.32	- 23.8	296.2	- 4.3	12.8	- 21.0	1.29	- 21.8
USG Corp ..... N	40.38	1.13	2.9	40.50	37.00	46.50	32.00	17,399	2.73	1.30	110.0	11.4	1.12	2.8	.....	fiscal	12-86	695.1	9.4	56.4	4.6	.93	13.4	2723.7	7.8	225.4	.7	3.54	5.4
Walter, Jim ..... N	56.38	.88	1.6	57.00	52.75	57.00	39.50	8,432	2.66	1.44	84.7	12.1	1.40	2.5	.....	3 mos.	11-86	595.9	6.0	37.9	19.6	1.17	.9	595.9	6.0	37.9	19.6	1.17	.9
Waxman Ind ..... M	12.63	- .63	- 4.7	13.25	12.38	13.25	6.34	5,016	15.94	5.03	216.9	13.2	.08	.6	.....	3 mos.	09-86	26.7	24.2	.8	33.3	.24	33.3	26.7	24.2	.8	33.3	.24	33.3
Weverhaeuser ..... N	57.00	8.00	16.3	58.00	46.88	58.00	30.50	73,575	5.64	2.11	167.3	29.8	1.30	2.3	.....	fiscal	12-86	1450.6	17.2	96.1	51.1	.70	62.8	5652.0	8.6	276.7	38.3	1.91	44.7

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

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Wickes sells two divisions in strategic move

Wickes British subsidiary sold in mgmt. buyout

By Elizabeth Brent
NHCN staff editor

LONDON — Wickes International, a subsidiary of Wickes Companies, has agreed to sell its 85% interest in its English subsidiary Wickes PLC for £96 million or approximately $155 million.

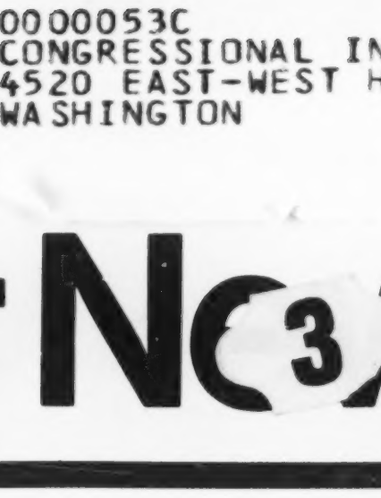
Henry Sweetbaum, chairman and ceo of Wickes PLC, is leading the syndicated buyout. Together with six members of his management team Sweetbaum formed a new corporation, Cityquest PLC, to make the bid, with financing from Investors for Industry, one of the largest venture capital groups in the United Kingdom.

The bid will separate Wickes PLC from Wickes International—essentially a holding company incorporated in Delaware—and will be the second largest takeover bid in British history, according to Sweetbaum. It is expected that Wickes International will realize a gain before taxes of approximately $120 million as a result of the sale.

(Continued on page 87)

NHCN photo

Wickes is selling its 85% interest in its European division to Henry Sweetbaum, the division's chairman, and six employees, for $155 million. Wickes PLC did $230 million from 54 stores last year.



NHCN photo

Paul Hylbert is leading a buyout of Sequoia Supply from Wickes.

Sequoia Supply sold in deal to 35 employees

By Brad Altman
NHCN staff editor

IRVINE, Calif. — A total of 35 employees of Sequoia Supply, the wholesale building materials distributor with 33 warehouses in 23 states, have bought the company from Wickes Cos. for an an undisclosed amount.

Virtually every senior member of the management group of Sequoia Supply is a stockholder in the new company.

Sequoia President and ceo Paul Hylbert said the new owners plan to expand Se-

(Continued on page 87)

Young child dies in freak accident at Builders Square

By an NHCN staff editor

AURORA, Ill. — A 23-month-old child died when a pile of lumber fell on him at a Builders Square store here early last month.

The Aurora Police Department, in suburban Chicago, confirmed that Alex Grabenhofer of Wheaton,

(Continued on page 88)

BMA and Coast to Coast merger collapses

By Laura Liebeck
NHCN staff editor

DENVER, Colo. — The anticipated merger of the dealer division of Builder Marts of America (BMA) with Coast to Coast fell apart in March after months of negotiations.

Representatives from both companies told *NHCN* that complicated legal and tax issues made the merger impossible to complete. BMA and Coast to Coast have not closed the door to future negotiations with each other, however.

Both companies maintain their expansion desires—BMA into hardware and Coast to Coast into lumber and building materials—have not been altered by their inability to consummate this deal.

Coast to Coast and BMA issued a joint statement dated March 17 that said both companies "discontinued their plans to merge the Dealer Division of Builder Marts with Coast to Coast."

Clarence B. Bauknight and Richard Bard, chief executive officers of BMA and Coast to Coast, respectively, said in a prepared statement that "if circumstances change in the future, a business combination could be pursued, but there are no present plans to do so."

In fact, Dan Shimer, vice president and treasurer of Coast to Coast based here, and Thomas L. McAbee, vp-finance of BMA, Greenville, S.C., said that the companies might be able to come together at a future date, although no further talks are planned.

Now each distributor is going in its own direction.

"We continue to aggressively pursue other alternatives," said Shimer, who declined to elaborate further. "Our plans haven't changed."

McAbee said BMA is still interested in taking on some hardware lines, but that it

(Continued on page 87)

Falling dollar boosts interest in U.S. goods at Cologne

By Kenneth Schept
NHCN Editor

COLOGNE, Germany — Within the space of 10 minutes, Dr. Sepp Rottensteiner, international division director of Clairson, explained the virtues of closet organizers to a French importer, an Israeli cabinet maker and East German and Japanese businessmen.

While Dr. Rottensteiner's ability to conduct business in English, Italian, Japanese, German, French and Spanish no doubt had a salutary effect on sales, the weakening U.S. dollar didn't hurt either.

Indeed, for U.S. manufacturers at the 17th annual Cologne hardware fair, the declining dollar was a key to improved interest in their products.

For example, A Zurich importer who last year made a small initial purchase of Sentry safes, this year bought a container of the company's Fire-Safe security files.

"The timing is right for selling American products overseas," said Jim Henderson, international sales manager for Wing Industries, the bifold door and shutter supplier based in Dallas, who was walking the show looking for wholesalers.

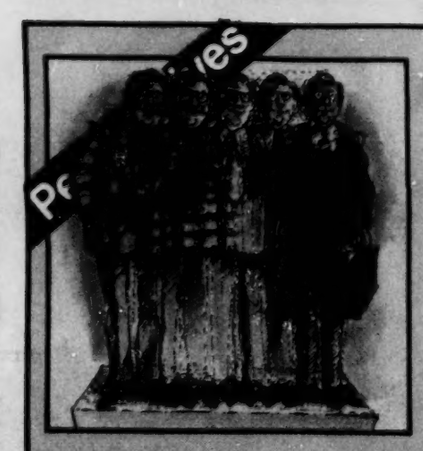
Indeed U.S. participation was up 15% this year, with 62 U.S. firms represented among the 1,969 companies from 42 countries that vied for attention in the 1.4 million square feet of exhibition space, which is divided among six different halls. Show attendance reached 51,000 from 83 countries.

People came to the show to establish contacts; to look for

(Continued on page 88)

U.S. participation was up 15% at this year's Cologne Hardware Fair. There were a total of 1,969 companies from 42 countries at the show, and attendance reached 51,000. NHCN photo

INSIDE



Rep's image changes to one of pro salesman 57

A rep's rep works the floor of the show 59

The European look makes waves in the bathroom 64

Pedestal sink prices and margins begin to plummet 68

NEWSBREAKS

SERVISTAR BOLSTERS COMMODITY MIX: American Hardware Supply, the $850 million co-op whose members use the Servistar moniker, made a new commitment to building products by recently adding 2,000 sku's of building material items to its merchandise mix. Prior to this, the group's 34,000 sku's were all hardlines.

NHMA REINSTATES SUMMER SHOW: Beginning July 1988 the Housewares Assoc. will bring back the summer housewares show it canceled last year.

INDUSTRY UPDATE

Plywood Minn. buys unit

MINNEAPOLIS — Plywood Minnesota has acquired the 40,000-sq.-ft. Warners True Value store in Burnsville, Minn.

Plywood Minnesota will take control of the surrounding land and retail space in April, according to Gerry Boschwitz, vp of the 11-unit Plywood Minnesota chain. It will lease half of the retail space to an unnamed True Value hardware dealer, Boschwitz said.

The Warners unit in Burnsville was the largest of the one-time 23-unit chain owned by Cotter & Company, the industry's largest dealer-owned co-op. Cotter has been selling off the Twin Cities units for the last year. Twelve of the 23 reportedly have been sold.

Moore's adds garden shops

ROANOKE, Va. — Moore's said it would complete the roll out of its garden shop additions to its stores this month when it offers its spring nursery merchandise for 1987.

Last year, the company opened 40 garden shop additions, after experimenting with a few such units in 1985. This month the chain will open another 40 shops.

Three of the firm's 83 stores will not have the garden shops because of space restrictions.

Stier opens second S.C. unit

COLUMBIA, S.C.— Independent Stier Supply opened its second build-to-suit unit in Irmo, S.C., on March 11, just one week after Lowe's opened its 26,000-square-foot store less than a mile away.

In spite of this local competition Stier Supply remains confident that its new 12,000-square-foot store will help it increase its retail sales from 20% to 35% of its mix, according to Jonathan Stier, executive vp.

The store's design is based on the "turnkey" prototype developed by American Hardware Supply for its "ServiStar" dealer-members.

Big Tin Barn to shutter unit

HARLIGEN, Texas — The Big Tin Barn plans to shutter a 20,000-square-foot unit it operated here near the Mexican border.

Benny Brown, president of the five-unit chain, said the Harligen yard once had been one of the company's most lucrative operations. But with the devaluation of the Mexican peso and the continued slump in the oil industry, it became to financially draining.

"That unit was built up on the peso," Brown said. "When Mexican oil was doing well and the Mexican nationals were coming over to shop, it was a good operation down there. "All of that has stopped."

Brown said the company is selling the building, property and inventory, a process that will be concluded by early May. The company announced its intention to liquidate the unit March 1.

HomeClub opens Colo. unit

FULLERTON, Calif. — HomeClub was scheduled to open a 92,000-square-foot warehouse in Englewood, Colo., on April 2, marking the third unit it has opened in the Colorado market since July 1986.

The Englewood outlet is the third HomeClub to open this year. In early March, 30-unit HomeClub debuted 100,000-square-foot units in Lynnwood, Wash., and Stockton, Calif.

Stocks advance strongly

NEW YORK — Stocks of home improvement-related companies advanced strongly during the two-week period ended March 20, with 35 gainers, 15 losers and eight stocks that stayed the same.

Big winners among retailers included Supermarkets General, whose 21 percent price increase was spurred in part by a takeover bid made by the Dart Group; and Home Depot and Wolohan Lumber, each of whose stock rose more than 15 percent. On the supplier side, Allegheny International, another takeover candidate, saw its stock jump 59.3 percent, while MacMillan-Bloedel's price increased 23.2 percent.

If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

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Home improvement mall sold to Canadian-based company

By an NHCN staff editor

CORAL SPRINGS, Fla. — Homeowners Outlet Mall Exchange (HOME), operators of a 110,000-square-foot home improvement mall in Naples, Fla., announced last month that it had been acquired by Eclipse Mining Ltd. of Vancouver, British Columbia.

The purchase price was not disclosed.

HOME president and ceo Walter Bozdech, formerly director of store planning for Mr. HOW, said the agreement was signed on March 13 and should be final in about a month, after customary regulatory approval from Canadian authorities in British Columbia.

Bozdech said he was looking for a buyer to help the company expand.

The new ownership afforded HOME the ability to put together a five-year expansion program that includes opening five outlet malls and 24 specialty stores.

All expansion will be limited to the state of Florida until 1989 when the company starts moving into Alabama, South Georgia and South Mississippi.

Home Owners Outlet Mall Exchange (HOME), Coral Springs, Fla., has a five-year expansion program since the company has a new owner, Eclipse Mining Ltd., Vancouver, British Columbia. NHCN photo

Eclipse Mining, an oil, gas and mining operation that is part of a holding company called the Katen Group, was interested in HOME for its money-making opportunities and as a way of diversifying its holdings, said Victor Muenier, partner.

HOME represents Eclipse Mining's first venture out of oil, gas and mining, and won't

(Continued on page 88)

Hechinger to move into N.Y. area

By an NHCN staff editor

LANDOVER, Md. — Hechinger, the 62-unit retailer headquartered here, announced a two-year expansion program that includes opening 28 new stores in both new and existing markets, half of them this year.

The first of those stores opened recently in Deptford, N.J., in suburban Philadelphia.

Hechinger also will open its second regional distribution center this fall in Charlotte, N.C. It will be approximately 310,000 square feet and carry a cost of $8.7 million, said W. Clark McClelland, senior vp-finance and treasurer.

The new distribution center will serve 17 Hechinger stores initially but has the capacity to handle 30 units, he said.

The expansion program lists possible new store locations in Tennessee, Delaware, New Jersey, Connecticut, Rhode Island, West Virginia and Long Island, N.Y.

McClelland said the Long Island store, the company's first, will open during the second half of this year in the town of Huntington.

The company's expansion program was announced at the same time Hechinger reported that its 1986 sales, ended January 31, rose 23% to $588.4 million. Net earnings increased 22% to $28.3 million, or 92 cents per share, 75 cents per share fully diluted. And comparable store sales rose 8% from 1985.

Fourth quarter sales, also ended January 31, were up 20% to $140.3 million. Net

(Continued on page 87)

Weyerhaeuser funds 'This Old House'

By an NHCN staff editor

NATIONAL REPORT — Next fall Weyerhaeuser will reach eight million TV viewers weekly when it sponsors *This Old House*, the popular remodeling show produced by WGBH.

The Tacoma, Wash.-based forest products company will provide $1.1 million to fund the production and promotion of the show's ninth season.

Weyerhaeuser is gaining a strong marketing tool; *This Old House* was the most-watched PBS program in November 1986, according to A.C. Nielsen.

The company views the sponsorship as a "perfect match."

"We want to talk to the same audience: people with an interest in remodeling their homes and doing it well—getting the best value for their money and personal effort," said Bill Simmonds, vp for repair and remodeling market at Weyerhaeuser Company.

Bob Vila announcing that the ninth season of "This Old House" will be sponsored by Weyerhaeuser. NHCN photo

Weyerhaeuser is taking over sponsorship of the show from Owens-Corning Fiberglas, which was the national underwriter of *This Old House* for six years. The show has be-

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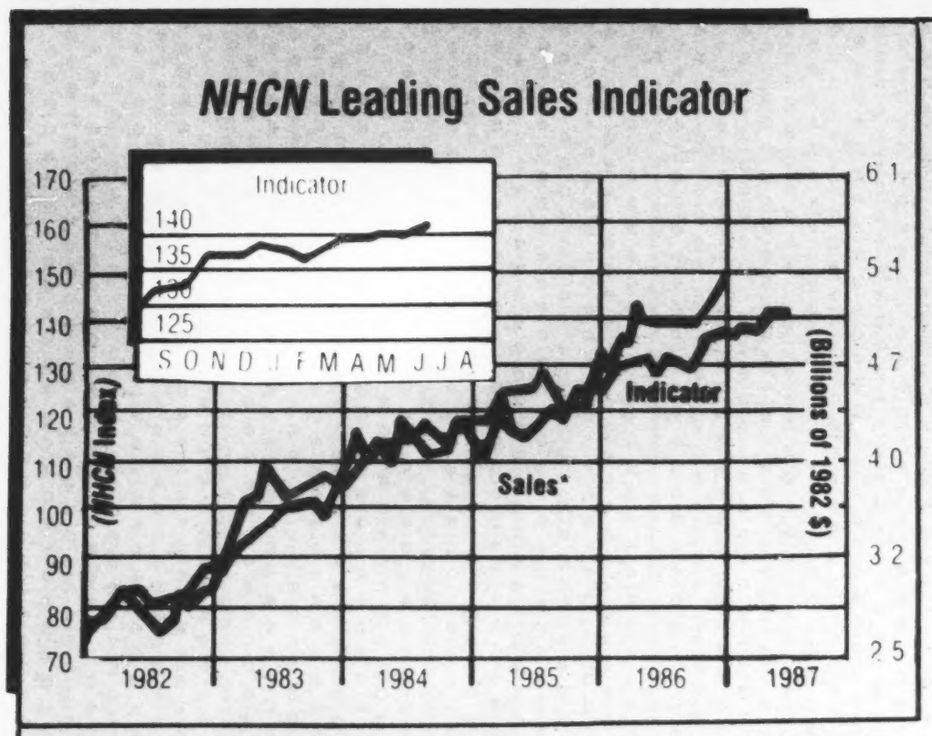
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).
Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting an increase in building material sales during 1987. Resales were strong from September to December of 1986, although they fell in January. Single-family housing starts exceeded 1.3 million in February and will remain near 1.2 million units during 1987 as interest rates decline.

Building material sales to rise despite heavy consumer debt

By Richard E. Mount
Special to NHCN

Consumer installment debt is the highest ever, causing many analysts to believe that consumer spending on all products is headed for a decline.

We do not subscribe to this theory, however. Total debt is high, but it will not prevent the 11% rise we continue to anticipate for retail building material sales during 1987.

Richard E. Mount

Past

Total consumer installment credit, as a percent of disposable income, is one of the best benchmarks of consumers' ability to spend in the future. It relates total, nonmortgage borrowings to after-tax income, measuring the ability to meet loan repayments. Historically, it rises during each cyclical expansion, reaching a new high.

But, during recessions, it declines as consumers cut spending on big-ticket items faster than their incomes contract.

Consumers have been willing to take on higher and still higher levels of debt during the post-war years, causing the percent of debt to income to trend upwards.

Demographics increase the number of workers under 45 years of age who borrow more than average, while decreasing the number of workers aged 45 to 65, who tend to save more. The

(Continued on page 47)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

		1985	1986				1987			1985	1986	1987
		QIV	QI	QII	QIII	QIV	QI	QII	QIII			
***NHCN* Leading Sales Indicator** (January 1980 = 100)		123.4	124.7	127.9	132.1	137.1	138.6	140.2	143.4	118.5	130.4	141.3
General Economic Outlook												
	GNP $1982 Billion	3,622.3	3,655.9	3,661.4	3,686.4	3,798.3	3,721.1	3,738.7	3,762.7	3,585.2	3,700.5	3,753.4
	Real Disposable Income $1982 Bil.	2,540.7	2,581.2	2,625.8	2,605.5	2,596.6	2,617.1	2,627.3	2,642.8	2,528.0	2,602.3	2,636.8
	Housing Permits (000 SAAR)	1,741	1,834	1,822	1,678	1,695	1,625	1,610	1,650	1,733	1,762	1,640
	Housing Starts (000 SAAR)	1,797	1,938	1,878	1,758	1,702	1,800	1,680	1,650	1,742	1,806	1,693
	New Home Sales (000 SAAR)	696	789	794	686	709	715	715	735	688	749	729
	Resales (000 SAAR)	3,500	3,256	3,470	3,615	3,927	3,475	3,500	3,500	3,214	3,565	3,500
	Prime Rate %	9.5	9.4	8.6	7.9	7.5	7.5	7.5	7.3	9.9	8.4	7.4
	Mortgage Rate % (HUD)	11.8	10.8	10.1	10.2	9.7	9.1	8.9	8.7	12.5	10.2	8.9
	Consumer Price Index (1967 = 100)	326.5	327.7	326.3	328.4	330.7	333.8	336.9	340.5	322.1	328.3	338.9
	Producer Price Index (1967 = 100)	296.4	292.1	288.5	288.2	290.0	393.2	296.4	299.7	293.9	289.7	298.1
	New Housing Affordability 1980-100)	120.5	128.6	129.4	126.1	127.8	131.4	133.4	132.6	117.6	128.0	132.8
Residential Alterations and Repairs												
Current	**Total $ millions SAAR**	**89,200**	**91,800**	**84,000**	**88,907**	**90,140**	**93,474**	**96,292**	**99,299**	**80,267**	**88,712**	**97,626**
	Maintenance and Repair	39,000	37,700	29,700	38,038	39,107	39,845	40,606	41,461	35,358	36,136	41,040
	Additions and Alterations	30,500	33,900	40,300	33,212	32,684	34,517	35,857	37,515	28,775	35,024	36,534
	Major Replacements	19,600	20,200	14,000	17,656	18,349	19,112	19,829	20,323	16,134	17,551	20,052
Constant	**Total Millions $1982 SAAR**	**81,453**	**83,655**	**74,718**	**78,300**	**70,600**	**80,700**	**82,310**	**84,040**	**74,614**	**78,818**	**83,013**
	Maintenance and Repair	35,653	34,353	26,418	33,500	34,100	34,400	34,710	35,090	32,864	32,093	34,900
	Additions and Alterations	27,882	30,892	35,847	29,250	28,500	29,800	30,650	31,750	26,791	31,122	31,063
	Major Replacements	17,918	18,408	12,453	15,550	16,000	16,500	16,950	17,200	14,959	15,603	17,050
Retail Trade Activity												
Current	**Total $ millions SAAR**	**1,388,316**	**1,404,848**	**1,421,400**	**1,478,632**	**1,478,620**	**1,476,907**	**1,501,555**	**1,524,331**	**1,373,941**	**1,445,875**	**1,511,711**
	Total Minus Automobile	1,082,244	1,094,680	1,098,912	1,112,548	1,123,804	1,135,907	1,155,925	1,177,322	1,061,148	1,107,486	1,165,114
	Building Material, Hardware, Garden Supply, Mobile Home	78,024	83,952	85,316	86,540	87,136	88,829	91,533	94,163	74,062	85,736	92,882
	Building Material and Supply	56,976	61,260	62,580	62,956	64,584	66,076	68,432	70,590	53,841	62,845	69,751
	Hardware	11,572	11,404	11,460	11,832	11,748	12,289	12,522	12,691	11,092	11,611	12,591
Constant	**Total Millions $1982 SAAR**	**1,288,244**	**1,306,486**	**1,337,991**	**1,380,017**	**1,374,182**	**1,359,000**	**1,368,000**	**1,375,000**	**1,282,772**	**1,349,669**	**1,370,250**
	Total Minus Automobile	1,009,867	1,026,722	1,048,913	1,054,219	1,059,193	1,060,000	1,068,000	1,077,000	997,299	1,047,262	1,071,000
	Building Material, Hardware, Garden Supply, Mobile Home	73,605	78,808	82,347	82,367	81,208	81,966	83,625	85,176	70,215	81,183	84,411
	Building Material and Supply	53,749	57,497	60,401	59,924	60,190	60,790	62,150	63,475	51,035	59,303	63,054
	Hardware	10,918	10,706	11,063	11,262	10,949	11,340	11,440	11,480	10,507	10,995	11,445
	Building Materials % of Total Less Automobile ($Current)	5.26	5.60	5.69	5.66	5.75	5.82	5.92	6.00	5.07	5.67	5.99

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
March 6, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

Building material sales to rise despite high debt

(Continued from page 18)
growth in two-income households and an increase in employment in less cyclical industries have reduced the apparent need to save.

Rapid inflation may not be present today, but the buy-now attitudes that it fostered in the 1970s are not gone.

Finally, growth in personal income, over time, has taught consumers that tomorrow's income can pay for today's consumption.

Present

In the current recovery, consumer debt is almost a record 20% of disposable income, up from 16% in 1979, raising fears of a slowdown in consumer spending.

But the bulk of the rise in the debt burden is concentrated in auto purchases. Excluding auto loans, debt is only marginally higher than it was at the last peak (11% versus 10%).

The recent surge in domestic auto promotions encouraged sales, increasing consumer debt faster than income.

This rise in debt would normally herald rising caution on the part of consumers as loan repayments became increasingly difficult. But, these car purchases were often financed at low interest rates, with the loans spread out over a longer repayment schedule. In the mid-1970s, three years was the norm for auto loans, today it is four.

Because of longer repayments and declining interest rates, the increase in the ratio of auto debt to disposable income during the last two years overstates the squeeze on monthly repayments. While the debt burden is high, consumer finances are not that tight.

Future

The rise in the ratio of total consumer debt to disposable income will slow in 1987.

Consumer auto debt will not increase. Domestic auto sales in particular will weaken this year, the promotions of the past leaving consumers in an overbought position.

We expect total car sales to decline from 11.6 million in 1986 to 10.7 in 1987, domestics dropping from 8.4 million last year to 7.3. Disposable income, at the same time, will rise about 5% from the accelerating economy and lower marginal tax rates.

For building material and supply stores, the rise in total consumer debt burdens to record levels will not harm sales as much as in the past.

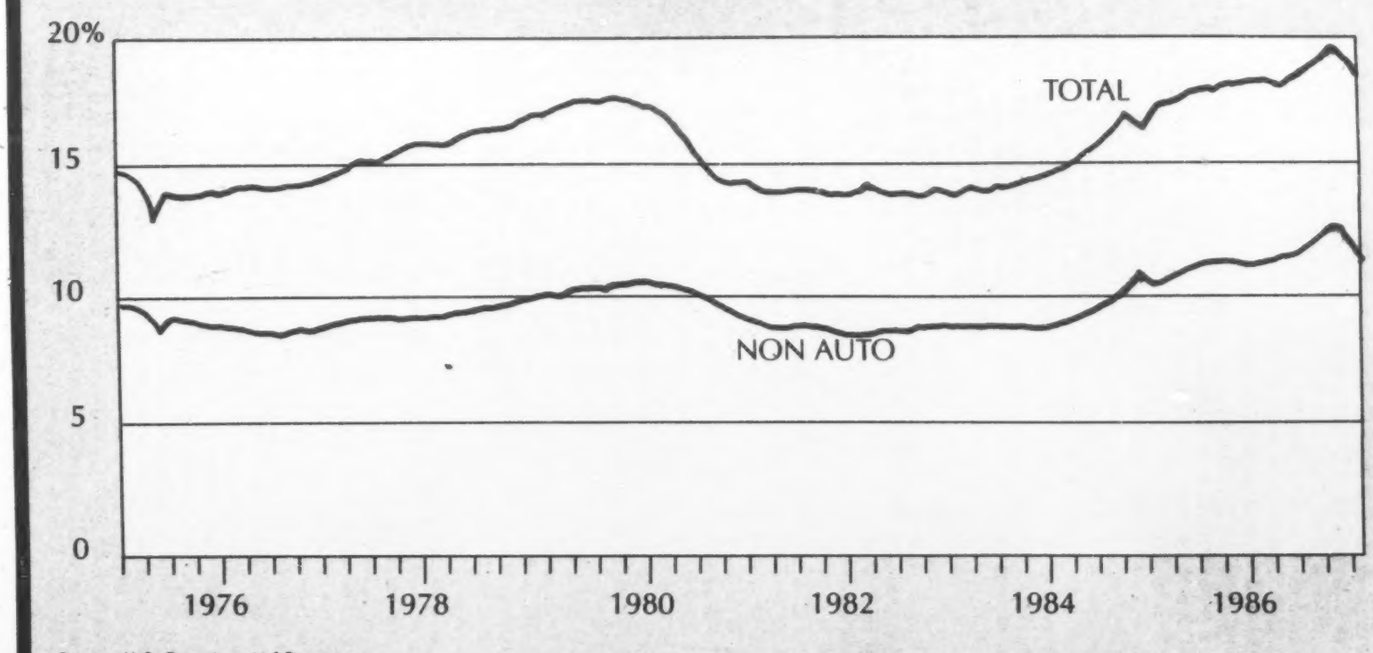
The increase in debt is concentrated in the auto sector. Non-auto debt as a percent of income is up from the last peak, but not by a wide margin.

The strength in resales in the fourth quarter of 1986 and the gains in single-unit starts in the first quarter of 1987 will keep building material demand up.

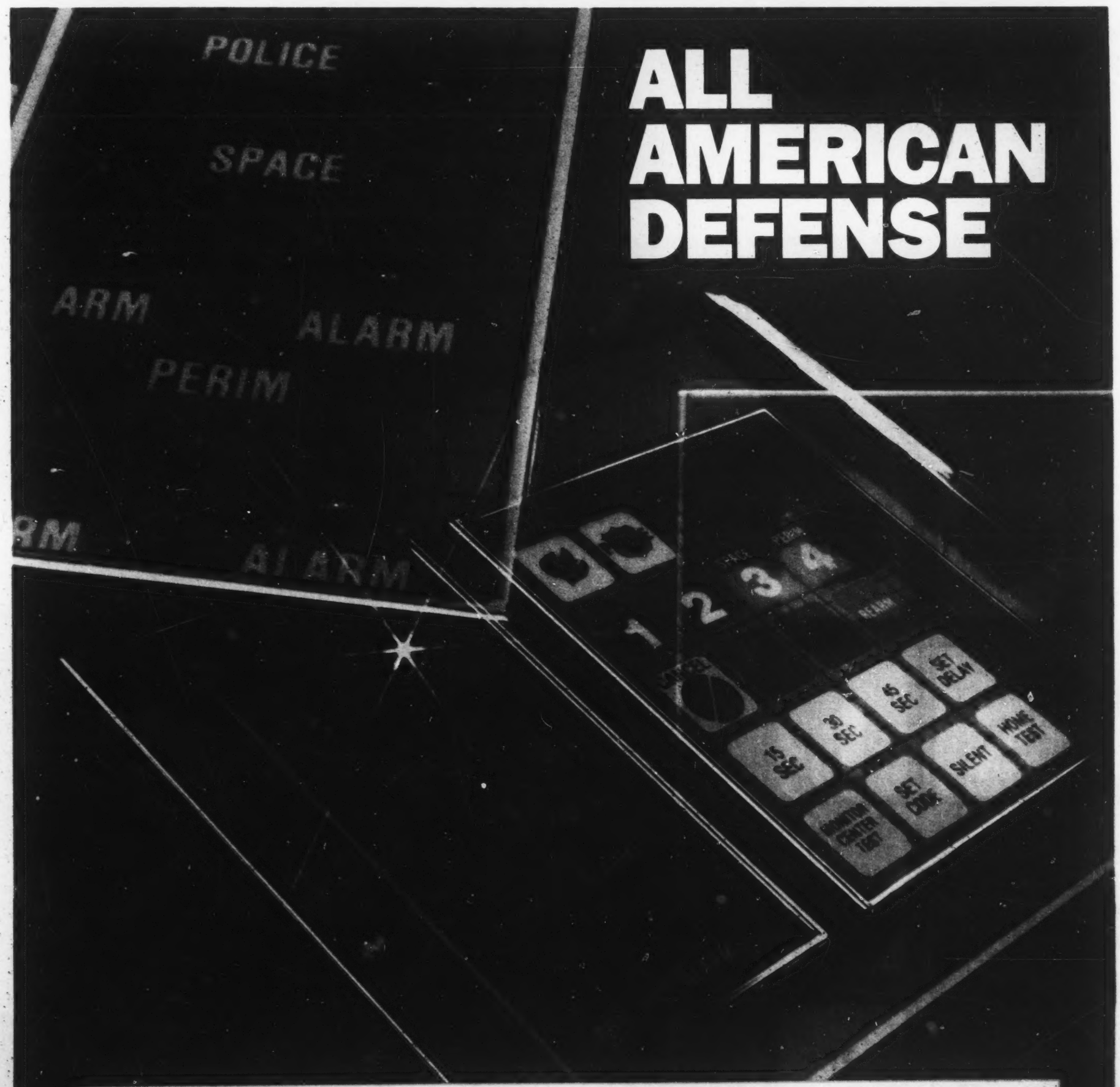
As consumers shift their spending from autos to other areas, building material and supply stores will see an increase of 11% in dollar volume, 6% in unit volume.

Non-auto debt as a percent of income is up, but not by a wide margin . . . The strength in resales in the fourth quarter of 1986 and the gains in single-unit starts in the first quarter of 1987 will keep building material demand up.

Consumer Installment Credit Percent of Disposable income



Source: U.S. Department of Commerce



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